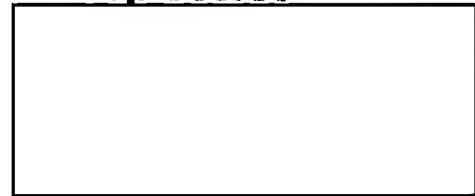
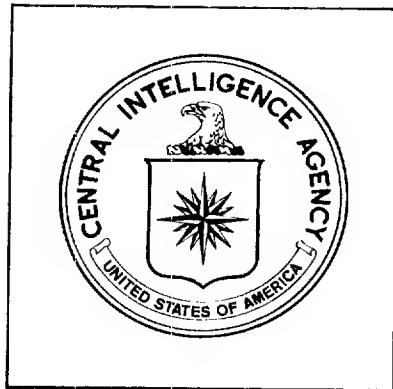


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## STAFF NOTES:

# Soviet Union Eastern Europe

State Dept. review completed

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**SOVIET UNION - EASTERN EUROPE**

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East Germans Score Chinese European Policy

Pankow may be laying the groundwork for another attempt to get the China issue onto the agenda of the European Communist party conference scheduled to meet in East Germany later this year.

The East Germans, who have been selected to chair the drafting of the conference agenda, launched a sharp new attack on the Chinese on Wednesday. The theme--that Peking's European policy is aimed at wrecking detente--was set by the regime's top propagandist, Albert Norden, in the party daily, *Neues Deutschland*. He charged Peking with collusion with imperialism, encouragement of revanchist claims, incitement of Western leaders with "the threat from the East," and fomenting anti-Soviet hysteria.

While none of these charges is new, publication of the article is bound to heighten suspicions--notably among the Romanians, Yugoslavs, French, and Italians--that the Soviets and their more orthodox allies will be unable to resist at least indirect reference to the China issue at the conference. An attack on opponents of detente, assuming China is not named, would be difficult for the more independent-minded parties to resist.

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Soares in Romania

Portuguese Foreign Minister Soares' visit to Romania last week was long on ceremony and short on substance.

Soares got considerable attention from the Romanian media, and he was received by several top Romanian officials, including President Ceausescu. Only one document--a scientific and cultural accord--was signed, but the two sides agreed to begin negotiations "soon" on a new commercial accord and on a long-term economic, industrial, and scientific and technical agreement.

The main purpose of Soares' trip to Bucharest was apparently to demonstrate Lisbon's gratitude to Romania--the first communist country to recognize the new Portuguese government. Soares also was pleased that Ceausescu had sent a top-level party delegation to the Portuguese Socialist Party Congress last December.

In an interview published in the Romanian weekly *Lumea*, Soares gladdened Romanian hearts by referring to his Moscow visit as a "technical stopover." He defined Portuguese foreign policy as "an opening in all directions," and emphasized that he was not only a Portuguese government official, but also Secretary General of the Portuguese Socialist Party. This latter point dovetails nicely with Romanian emphasis on the need for all progressive forces--including socialists--to work together on behalf of European detente.

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Hungary Eager for Most-Favored-Nation Status

Budapest is holding media criticism of the trade reform bill to a minimum so as not to jeopardize its prospects of getting most-favored-nation trading status.

After several days of quoting Soviet press dispatches and then two days of silence, the first--and evidently only--Hungarian criticism of the trade bill appeared in the party daily last week. The commentary followed the Soviet line, criticizing Senator Jackson, applauding his critics, and attacking the establishment of emigration preconditions to normalized trade.

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[redacted] Hungarian officials have expressed satisfaction with passage of the act. They hope for a rapid "normalization" of bilateral economic ties and have predicted large increases in trade once most-favored-nation treatment is granted. Several bureaucrats have said quick progress is necessary before enterprise plans for the next five year period (1976-80) are completed. They point out that the 18-month time limit--after which MFN status is reviewed--might dampen the enthusiasm of enterprises that want firm commitments for the entire plan period. Budapest is also keenly interested in credits from the Export Import Bank.

The Hungarians are aware that some unresolved emigration cases could delay their receipt of most-favored-nation status. A deputy foreign minister recently hinted that Budapest would reconsider one particularly troublesome family reunification case that has drawn repeated congressional attention. Some 30 other reunification cases remain unresolved. A more basic problem may be that Hungarian law prohibits the emigration of adults under the age of 55 except under special circumstances.

[redacted]

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Hungary: Looking for Oil

Budapest is making a concerted effort to improve relations with oil-producing countries in an attempt to get favorable terms for oil supplies needed to supplement Soviet deliveries during the next five year plan.

In absolute terms, Hungary's need for non-Communist oil is still relatively small, but imports from countries outside the bloc--largely the Middle East--are expected to quadruple to about five million tons annually by 1980. Total Hungarian consumption then will be about 14-15 million tons. Hungary has begun to look far afield for barter deals that will reduce the drain on its hard currency. Part of its problem is a shortage of attractive exports.

Budapest has had mixed results so far. Iraq is its prime Middle Eastern oil supplier, and the Hungarians have had some success in selling various goods to offset their payments for oil. In addition, the budding friendship with Kuwait is yielding returns. On Thursday, Kuwait announced that it would help finance construction of the Pan-Adria pipeline across Yugoslavia, which will carry Middle East oil to refineries in Yugoslavia, Hungary, and Czechoslovakia. Earlier, the Kuwaitis had granted a \$40 million loan to develop Hungarian export industries.

On the other hand, Hungarian inquiries about Iranian oil apparently have been rebuffed by Tehran. An Iranian diplomat has told the US embassy that Tehran does not want to begin sales to East Europeans other than the Romanians and is especially miffed at Budapest for demanding exorbitant prices for meat last year. The Iranian added that Budapest had failed in its recent efforts to reach a new agreement on Libyan oil deliveries. He attributed Budapest's effusive welcome of the Indonesian prime minister in late December to a desire for Indonesian oil.

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